S&P Global
Ratings

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Summary:

New Fairfield, Connecticut; General Obligation

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Table Of Contents

Credit Highlights

Outlook

Related Research

Summary:

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Credit Profile		
US$12.0 mil GO bnds ser 2023 due 04/01/2043		
Long Term Rating	AAA/Stable	New
New Fairfield GO		
Long Term Rating	AAA/Stable	Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'AAA' long-term rating to the Town of New Fairfield, Conn.'s $12 million series 2023 general obligation (GO) bonds.
- At the same time, S&P Global Ratings affirmed its 'AAA' rating on the town's existing GO debt.
- The outlook is stable.

Security

New Fairfield's unlimited-tax GO pledge to levy ad valorem taxes, without limit as to rate or amount on all taxable property within its borders, secures the bonds.

Bond proceeds will complete financing for the high school construction project.

Credit overview

New Fairfield's stable local economy and very strong financial management support the 'AAA' rating. The town is predominantly residential with high wealth and household income indicators. Residential properties account for about 85% of the grand list and commercial is about 2%, with a few new small businesses opening over the past year. Management is preparing for the revaluation process in calendar year 2024 but otherwise expects modest growth in the grand list; the town has historically seen an average of 1% annual growth in the grand list over the past seven years. We expect the town's desirability and participation in the regional Fairfield County economy will provide for stable, if slow, tax base growth.

New Fairfield's financial policies and practices have produced strong operating results and stable reserve levels. The town posted a small deficit on an audited basis in fiscal 2022 of $173,000, which we understand was primarily due to vendor delays and payment timing on purchase orders executed in the previous fiscal year. The town is more than halfway through fiscal 2023 with revenues projected to outperform budget coupled with expenditure savings, therefore we expect the town will maintain at least breakeven results. Along with positive budgetary performance, the town has maintained available reserves at about 18% of expenses and has no plans to utilize reserves over the next two years.

The majority of the town's $87 million in total direct debt relates to its school construction projects, which we understand received strong community support. While debt service costs have moderately increased over the past few years with recent issuances, the town has actively incorporated increased costs into its budgets and outyear financial planning. This issuance completes financing for the projects, and the town does not have any other projects or debt plans over the near-term. Additionally, pension and other postemployment benefits (OPEB) costs are low, the plans are relatively well-funded and costs are not likely to pose budgetary pressures over the next few years.

The rating further reflects:

- Primarily residential local economy characterized by higher-than-average residential incomes;
- Well-embedded financial policies and practices and a strong institutional framework score;
- Long-term trend of positive performance and consistent reserve levels of about 18% of expenditures; and
- Adequate debt profile following recent bond issuances but no medium-term debt plans.

Environmental, social, and governance

We have assessed the town's environmental, social, and governance risks relative to its economy, management, financial measures, and debt and liability profile and have determined that all are neutral in our credit rating analysis.

Outlook

We expect New Fairfield will maintain its stable financial profile, supported by well-embedded financial management policies and above-average economic metrics. We do not expect to revise the rating during the two-year outlook period.

Downside scenario

While unlikely, we could consider a negative rating action should budgetary performance unexpectedly deteriorate and reserves diminish with no plans to replenish fund balance.

Rating Above The Sovereign

We rate New Fairfield higher than the sovereign because we believe the town can maintain better credit characteristics than the U.S. in a stress scenario, due to its predominantly locally derived revenue base and our view that pledged revenue supporting debt service on the bonds is at limited risk of negative sovereign intervention. New Fairfield has a predominantly locally derived revenue source, with approximately 81% of general fund revenue in fiscal 2022 coming from property taxes. (For more on this, see "Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions," published Nov. 19, 2013.)

New Fairfield, Connecticut Key Credit Metrics

	Most recent	Historical information		
		2022	2021	2020
Very strong economy				
Projected per capita EBI % of U.S.	146		142	136
Market value per capita ($)	169,240	164,765	162,951	159,236
Population			14,359	14,396
County unemployment rate(%)			6.1	

New Fairfield, Connecticut Key Credit Metrics (cont.)				
	Most recent	Historical information		
		2022	2021	2020
Market value ($000)	2,430,124	2,365,857	2,339,817	2,292,362
Ten largest taxpayers % of taxable value	3.1			
Strong budgetary performance				
Operating fund result % of expenditures		(0.3)	0.8	1.7
Total governmental fund result % of expenditures		(0.2)	3.7	0.3
Very strong budgetary flexibility				
Available reserves % of operating expenditures		18.0	19.0	18.4
Total available reserves ($000)		11,736	11,909	11,270
Very strong liquidity				
Total government cash % of governmental fund expenditures		70	82	41
Total government cash % of governmental fund debt service		1,392	2,084	1,204
Very strong management				
Financial Management Assessment	Strong			
Adequate debt & long-term liabilities				
Debt service % of governmental fund expenditures		5.0	4.0	3.4
Net direct debt % of governmental fund revenue	106			
Overall net debt % of market value	3.6			
Direct debt 10-year amortization (%)	55			
Required pension contribution % of governmental fund expenditures		1.3		
OPEB actual contribution % of governmental fund expenditures		0.4		
Strong institutional framework				

EBI--Effective buying income. OPEB--Other postemployment benefits. Data points and ratios may reflect analytical adjustments.

Related Research

Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022